

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2007

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Village of Rosebush	<b>County</b> Isabella
<b>Audit Date</b> June 30, 2007	<b>Opinion Date</b> August 14, 2007	<b>Date Accountant Report Submitted to State:</b> August 17, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |                                                                     |                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.                                                                                                                                                                                                                              |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).                                                                                                                                                                                                       |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).                                                                                                                                                                                                                 |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.                                                                                                                                              |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).                                                                                                                                              |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.                                                                                                                                                                                                                         |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).                                                                                                                                                                                                          |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).                                                                                                                                                                                                                                 |

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> <i>Campbell Kusterer &amp; Co., P.C.</i>			

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

August 14, 2007

To the Village Council  
Village of Rosebush  
Isabella County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Village of Rosebush, Isabella County, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Rosebush's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities the business-type activities and each major fund of the Village of Rosebush, Isabella County, Michigan as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.

Certified Public Accountants

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2007

The Management's Discussion and Analysis report of the Village of Rosebush covers the Village's financial performance during the year ended June 30, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at June 30, 2007 totaled \$537,012.42 for governmental activities and \$656,590.23 for business-type activities.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Village are reported as governmental and business type activities. These activities include the General Fund, the Major Street Fund and the Local Street Fund and Sewer Fund.

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

General Funds: Most of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General Fund, the Major Street Fund, and the Local Street Fund.

Proprietary Funds: The Village has a Sewer Fund which is reported as a proprietary fund.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The Village's net assets for governmental and business-type activities increased by \$303,754.41 for the fiscal year ended June 30, 2007.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

General Fund: This fund is used to record all activities of the Village not required to be in a separate fund. This would include building and grounds, legislative, administrative and elections. The major source of revenue for the general fund is from the Village tax base and the revenue sharing from the State of Michigan.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village of Rosebush had \$264,114.36 in business type capital asset additions during the fiscal year ended June 30, 2007.

The Village of Rosebush had no long-term debt activity during the fiscal year ended June 30, 2007.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Village does not have any known factors affecting future operations.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to demonstrate the accountability for the revenues it receives. If you have any questions concerning this report please contact the village treasurer by calling (989) 433-5845.

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2007

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	514 199 84	23 932 35	538 132 19
Due from State of Michigan	10 123 58	-	10 123 58
Accounts receivable	-	11 609 58	11 609 58
Total Current Assets	<u>524 323 42</u>	<u>35 541 93</u>	<u>559 865 35</u>
NON-CURRENT ASSETS:			
Capital Assets	28 074 00	1 186 672 14	1 214 746 14
Less: Accumulated Depreciation	<u>(15 385 00)</u>	<u>(565 623 84)</u>	<u>(581 008 84)</u>
Total Non-current Assets	<u>12 689 00</u>	<u>621 048 30</u>	<u>633 737 30</u>
TOTAL ASSETS	<u>537 012 42</u>	<u>656 590 23</u>	<u>1 193 602 65</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES	-	-	-
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NON-CURRENT LIABILITIES	-	-	-
Total Non-current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	12 689 00	621 048 30	633 737 30
Unrestricted	<u>524 323 42</u>	<u>35 541 93</u>	<u>559 865 35</u>
Total Net Assets	<u>537 012 42</u>	<u>656 690 23</u>	<u>1 193 602 65</u>
TOTAL LIABILITIES AND NET ASSETS	<u>537 012 42</u>	<u>656 590 23</u>	<u>1 193 602 65</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended June 30, 2007

		Program Revenue	
		Charges for	Capital
	Expenses	Services	Grants and
			Contributions
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	2 282 20	-	-
General government	22 066 92	50 00	-
Public safety	6 998 04	-	-
Public works	54 544 66	18 023 04	-
Total Governmental Activities	85 891 82	18 073 04	-
Business Type Activities:			
Sewer	42 208 52	30 535 61	181 150 00
Total Business Type Activities	42 208 52	30 535 61	181 150 00
Total Government	128 100 34	48 608 65	181 150 00
General Revenues:			
Property taxes			
State revenue sharing			
Interest			
Miscellaneous			
Total General Revenues			
Change in net assets			
Net assets, beginning of year			
Net Assets, End of Year			

The accompanying notes are an integral part of these financial statements.



Governmental Activities	Business Type Activities	Total
Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
(2 282 20)	-	(2 282 20)
(22 016 92)	-	(22 016 92)
(6 998 04)	-	(6 998 04)
<u>(36 521 62)</u>	<u>-</u>	<u>(36 521 62)</u>
<u>(67 818 78)</u>	<u>-</u>	<u>(67 818 78)</u>
<u>-</u>	<u>169 477 09</u>	<u>169 477 09</u>
<u>-</u>	<u>169 477 09</u>	<u>169 477 09</u>
<u>(67 818 78)</u>	<u>169 477 09</u>	<u>101 658 31</u>
23 431 77	-	23 431 77
65 437 32	-	65 437 32
6 437 48	5 877 87	12 315 35
<u>100 911 66</u>	<u>-</u>	<u>100 911 66</u>
<u>196 218 23</u>	<u>5 877 87</u>	<u>202 096 10</u>
128 399 45	175 354 96	303 754 41
<u>408 612 97</u>	<u>481 235 27</u>	<u>889 848 24</u>
<u>537 012 42</u>	<u>656 590 23</u>	<u>1 193 602 65</u>

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	204 051 66	184 156 75	125 991 43	514 199 84
Due from State of Michigan	<u>4 285 00</u>	<u>4 727 98</u>	<u>1 110 60</u>	<u>10 123 58</u>
Total Assets	<u>208 336 66</u>	<u>188 884 73</u>	<u>127 102 03</u>	<u>524 323 42</u>
<u>Liabilities and Fund Equity</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	208 336 66	188 884 73	127 102 03	524 323 42
Total fund equity	<u>208 336 66</u>	<u>188 884 73</u>	<u>127 102 03</u>	<u>524 323 42</u>
Total Liabilities and Fund Equity	<u>208 336 66</u>	<u>188 884 73</u>	<u>127 102 03</u>	<u>524 323 42</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

June 30, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 524 323 42

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	28 074 00
Accumulated depreciation	<u>(15 385 00)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 537 012 42

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended June 30, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Revenues:				
Property taxes	23 431 77	-	-	23 431 77
State revenue sharing	29 874 65	28 798 97	6 763 70	65 437 32
Interest	2 733 65	2 559 27	1 144 56	6 437 48
Rents	50 00	-	-	50 00
Special assessments	18 023 04	-	-	18 023 04
Miscellaneous	<u>911 66</u>	<u>-</u>	<u>100 000 00</u>	<u>100 911 66</u>
Total revenues	<u>75 024 77</u>	<u>31 358 24</u>	<u>107 908 26</u>	<u>214 291 27</u>
Expenditures:				
Legislative:				
Village Council	2 282 20	-	-	2 282 20
General government:				
President	615 44	-	-	615 44
Accounting	3 400 00	-	-	3 400 00
Attorney	126 00	-	-	126 00
Clerk	2 481 29	-	-	2 481 29
Treasurer	3 108 58	-	-	3 108 58
Village hall and grounds	7 826 25	-	-	7 826 25
Unallocated	4 052 36	-	-	4 052 36
Public safety:				
Fire protection	6 998 04	-	-	6 998 04
Public works:				
Highways and streets	-	22 433 65	9 878 24	32 311 89
Street lighting	5 211 01	-	-	5 211 01
Sanitation	<u>17 021 76</u>	<u>-</u>	<u>-</u>	<u>17 021 76</u>
Total expenditures	<u>53 122 93</u>	<u>22 433 65</u>	<u>9 878 24</u>	<u>85 434 82</u>
Excess (deficiency) of revenues over expenditures	21 901 84	8 924 59	98 030 02	128 856 45
Fund balances, July 1	<u>186 434 82</u>	<u>179 960 14</u>	<u>29 072 01</u>	<u>395 466 97</u>
Fund Balances, June 30	<u>208 336 66</u>	<u>188 884 73</u>	<u>127 102 03</u>	<u>524 323 42</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	128 856 45
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(457 00)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>128 399 45</u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

STATEMENT OF NET ASSETS – BUSINESS TYPE FUNDS  
June 30, 2007

	<u>Sewer Fund</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	23 932 35
Accounts receivable	<u>11 609 58</u>
Total Current Assets	<u>35 541 93</u>
NONCURRENT ASSETS:	
Capital Assets	1 186 672 14
Less: Accumulated Depreciation	<u>(565 623 84)</u>
Total Noncurrent Assets	<u>621 048 30</u>
TOTAL ASSETS	<u><u>656 590 23</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	
Total Current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	621 048 30
Unrestricted	<u>35 541 93</u>
Total Net Assets	<u>656 590 23</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>656 590 23</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –  
BUSINESS TYPE FUNDS  
Year ended June 30, 2007

	<u>Sewer Fund</u>
OPERATING REVENUES:	
Charges for Services:	
Service charges	<u>30 535 61</u>
Total Operating Revenues	<u>30 535 61</u>
OPERATING EXPENSES:	
Salaries and wages	5 372 04
Operating supplies	1 346 40
Utilities	2 078 17
Contracted services	10 307 65
Miscellaneous	<u>531 92</u>
Total Operating Expenses	<u>19 636 18</u>
Operating Income (Loss) before depreciation	10 899 43
Less: Depreciation	<u>(22 572 34)</u>
Operating income (loss)	<u>(11 672 91)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest income	5 877 87
Federal grant proceeds	<u>181 150 00</u>
Total Non-operating Revenues (Expenses)	<u>187 027 87</u>
Change in net assets	175 354 96
Net assets, beginning of year	<u>481 235 27</u>
Net Assets, End of Year	<u>656 590 23</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS TYPE FUNDS  
Year ended June 30, 2007

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	32 139 19
Cash payments to suppliers for goods and services	(16 989 69)
Cash payments to employees for services	<u>(5 372 04)</u>
Net cash provided (used) by operating activities	<u>9 777 46</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(264 114 36)
Proceeds from federal grant	<u>181 150 00</u>
Net cash provided (used) by capital and related financing activities	<u>(82 964 36)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>5 877 87</u>
Net cash provided (used) by investing activities	<u>5 877 87</u>
Net increase (decrease) in cash	(67 309 03)
Cash beginning of year	<u>91 241 38</u>
Cash End of Year	<u><u>23 932 35</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	(11 672 91)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	22 572 34
(Increase) decrease in receivables	1 603 58
Increase (decrease) in payables	<u>(2 725 55)</u>
Net Cash Provided (Used) in Operating Activities	<u><u>9 777 46</u></u>

The accompanying notes are an integral part of these financial statements.



VILLAGE OF ROSEBUSH  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Rosebush, Isabella County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Rosebush. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Village's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for services. The enterprise fund also recognizes as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on September 14 with the final collection date of September 30 before they are added to the county tax rolls. The Village 2006 tax roll millage rate was 3.00 mills, and the taxable value was \$7,762,271.00.

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Furniture and equipment	5-25 years

Compensated Absences (Vacation and Sick Leave)

Village employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Village provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>538 132 19</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>438 132 19</u>
Total Deposits	<u>538 132 19</u>

The Village of Rosebush did not have any investments as of June 30, 2007.

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

**Note 4 – Capital Assets**

Capital asset activity of the Village's Governmental and Business type activities for the current year was as follows:

	Balance 7/1/06	<u>Additions</u>	<u>Deletions</u>	Balance 6/30/07
<u>Governmental Activities:</u>				
Buildings	23 771 00	-	-	23 771 00
Equipment	4 303 00	-	-	4 303 00
Total	28 074 00	-	-	28 074 00
Accumulated Depreciation	(14 928 00)	(457 00)	-	(15 385 00)
Net Governmental Capital Assets	<u>13 146 00</u>	<u>(457 00)</u>	<u>-</u>	<u>12 689 00</u>
<u>Business Type Activities:</u>				
Sewer Systems	922 557 78	264 114 36	-	1 186 672 14
Accumulated Depreciation	(543 051 50)	(22 572 34)	-	(565 623 84)
Net Business Type Capital Assets	<u>379 506 28</u>	<u>241 542 02</u>	<u>-</u>	<u>621 048 30</u>

**Note 5 – Deferred Compensation Plan**

The Village does not have a deferred compensation plan.

**Note 6 – Retirement Plan**

The Village does not have a retirement plan.

**Note 7 – Risk Management**

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

The Village does not issue building permits.

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	29 200 00	29 200 00	23 431 77	(5 768 23)
State revenue sharing	35 000 00	35 000 00	29 874 65	(5 125 35)
Interest	3 000 00	3 000 00	2 733 65	(566 36)
Rents	1 000 00	1 000 00	50 00	(950 00)
Special assessments	19 000 00	19 000 00	18 023 04	(976 96)
Miscellaneous	1 900 00	1 900 00	911 66	(988 34)
Total revenues	89 100 00	89 100 00	75 024 77	(14 075 23)
Expenditures:				
Legislative:				
Village Council	3 500 00	3 500 00	2 282 20	(1 217 80)
General government:				
President	1 000 00	1 000 00	615 44	(384 56)
Elections	1 500 00	1 500 00	-	(1 500 00)
Accounting	4 000 00	4 000 00	3 400 00	(600 00)
Attorney	15 000 00	15 000 00	126 00	(14 874 00)
Clerk	4 100 00	4 100 00	2 481 29	(1 618 71)
Treasurer	4 100 00	4 100 00	3 108 58	(991 42)
Village hall and grounds	9 000 00	9 000 00	7 826 25	(1 173 75)
Unallocated	11 400 00	11 400 00	4 052 36	(7 347 64)
Public safety:				
Fire protection	7 000 00	7 000 00	6 998 04	(1 96)
Public works:				
Street lighting	6 000 00	6 000 00	5 211 01	(788 99)
Drains	3 500 00	3 500 00	-	(3 500 00)
Sanitation	19 000 00	19 000 00	17 021 76	(1 978 24)
Total expenditures	89 100 00	89 100 00	53 122 93	(35 977 07)
Excess of revenues over expenditures	-	-	21 901 84	21 901 84
Fund balance, July 1	-	-	186 434 82	186 434 82
Fund Balance, June 30	-	-	208 336 66	208 336 66

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND  
Year ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	30 000 00	30 000 00	28 798 97	(1 201 03)
Interest	2 500 00	2 500 00	2 559 27	59 27
Miscellaneous	<u>1 500 00</u>	<u>1 500 00</u>	<u>-</u>	<u>(1 500 00)</u>
Total revenues	<u>34 000 00</u>	<u>34 000 00</u>	<u>31 358 24</u>	<u>(2 641 76)</u>
Expenditures:				
Public works:				
Highways and streets	<u>34 000 00</u>	<u>34 000 00</u>	<u>22 433 65</u>	<u>(11 566 35)</u>
Total expenditures	<u>34 000 00</u>	<u>34 000 00</u>	<u>22 433 65</u>	<u>(11 566 35)</u>
Excess of revenues over expenditures	-	-	8 924 59	8 924 59
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>179 960 14</u>	<u>179 960 14</u>
Fund Balance, June 30	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>188 884 73</u></u>	<u><u>188 884 73</u></u>

VILLAGE OF ROSEBUSH  
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND

Year ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
State revenue sharing	7 800 00	7 800 00	6 763 70	(1 036 30)
Interest	850 00	850 00	1 144 56	294 56
Miscellaneous	1 500 00	1 500 00	100 000 00	98 500 00
Total revenues	10 150 00	10 150 00	107 908 26	97 758 26
Expenditures:				
Public works:				
Highways and streets	10 150 00	10 150 00	9 878 24	(271 76)
Total expenditures	10 150 00	10 150 00	9 878 24	(271 76)
Excess (deficiency) of revenues over expenditures	-	-	98 030 02	98 030 02
Fund balance, July 1	-	-	29 072 01	29 072 01
Fund Balance, June 30	-	-	127 102 03	127 102 03



VILLAGE OF ROSEBUSH  
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2007

Village Council:	
Salary	1 600 00
Miscellaneous	682 20
	<u>2 282 20</u>
President:	
Salary	600 00
Supplies	15 44
	<u>615 44</u>
Accounting	<u>3 400 00</u>
Attorney	<u>126 00</u>
Clerk:	
Salary	2 376 00
Office supplies	105 29
	<u>2 481 29</u>
Treasurer:	
Salary	2 700 00
Postage	165 18
Office supplies	219 40
Miscellaneous	24 00
	<u>3 108 58</u>
Village hall and grounds:	
Contracted services	872 00
Utilities	2 170 83
Insurance	4 105 00
Miscellaneous	678 42
	<u>7 826 25</u>
Unallocated:	
Community promotion	3 325 18
Social security	727 18
	<u>4 052 36</u>
Fire protection	<u>6 998 04</u>
Street lighting	<u>5 211 01</u>
Sanitation	<u>17 021 76</u>
Total Expenditures	<u>53 122 93</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

August 14, 2007

To the Village Council  
Village of Rosebush  
Isabella County, Michigan

We have audited the financial statements of the Village of Rosebush for the year ended June 30, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Village of Rosebush in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council  
Village of Rosebush  
Isabella County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated June 30, 2007.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants